

Identify Your Company Core Competence **& Build Your Company Worth**

Ask yourself this question –

What is the core competence of my company and am I protecting and building upon it?

This question begins with identifying what the definition of core competence is as it relates to your business. Most define it as what their company is good at. In reality, the definition is much more.

A company core competence must meet all of the following criteria:

- It supports your company Mission, Vision and Values***
- Your customer is willing to pay a premium for it***
- It is sustainable over a long period of time***
- It is difficult for a competitor to replicate***
- It is scalable with the growth of your business***

To further define core competence, we turn to C.K. Prahalad and Gary Hamel and the 1990 management theory they introduced. They define core competence as “a harmonized combination of multiple resources and skills that distinguish a firm in the marketplace”. Identifying your company core competence then becomes the foundation of your company’s competitiveness.

Think about all that your company does in terms of its capabilities, processes and systems and consider which of these enables you to be unique in the market. Is it how you design your products or services, is it the design itself, is it how you deliver on your products or services or even how you manage your customer relationships that allows you to be unique?

A brief example can help. Think of Honda and all that they are known for, from cars and motorcycles to garden equipment to watercraft. They saw the need and value in determining their core competence and set about identifying their key capabilities, processes and systems and assessed each to the 5-part criteria listed above. They determined the motor is their core competence. They then identified the underlying capabilities and processes associated with the design and production of the motor and set out to focus on protecting and building upon this core competence.

What Honda did was peel back the onion of all they do to find the core of what makes them truly unique versus competition. By identifying their core competence, they have known which parts of their business to maintain being world class at and which parts are of secondary importance in building shareholder value. With this clarity, Honda has been able to bring strategic focus to their investments across their business and to their customer messaging.

With this example in mind, think about what your core competence might be. Here is a template to help you open a powerful and effective new level of strategic dialog with your team and even your Board:

What Is Our Company Core Competence?

	How We Design Our Product or Service?	The Design of Our Product or Service?	How We Sell Our Product or Service?	How We Fulfill On Our Product or Service?	The Customer Experience We Provide?
What are our competitively unique capabilities in each of these categories? →					
What is the underlying reason that enables us to have each of these capabilities? →					
	↓	↓	↓	↓	↓
1. Does this capability support our Mission, Vision & Values?	Yes or No	Yes or No	Yes or No	Yes or No	Yes or No
2. Are customers willing to pay a premium for it?	Yes or No	Yes or No	Yes or No	Yes or No	Yes or No
3. Is it a sustainable competitive advantage over a long time?	Yes or No	Yes or No	Yes or No	Yes or No	Yes or No
4. Is it difficult for a competitor to replicate it?	Yes or No	Yes or No	Yes or No	Yes or No	Yes or No
5. Is it scalable with the growth of our business?	Yes or No	Yes or No	Yes or No	Yes or No	Yes or No

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For some, a template like this can help determine their core competence and for others, it will be a much more complex undertaking. Getting external guidance can make sense and will have enormous payback to your business long term. Identifying your company core competence is important because:

1. It will help you prioritize where to make investments in your company
2. If you ever have to cut costs, you will know where to avoid cutting to protect your competence
3. It will help you focus your messaging to the market to stand apart from your competition
4. As you hire new people, you know what skills will protect and build upon your core competence
5. If you decide to sell your business, it will enable the narrative you deliver to potential acquirers

Just as important in knowing your company core competence, is knowing what it is not. Making money or providing great service aren't core competencies. A capability or process that underpins one of these might be the competence and that is at the heart of what you are trying to identify. Growing the long-term worth of your company requires asking and answering new strategic questions. Begin today Identifying your core competence and accelerate the growth of your company worth.

About the Author:

Larry O'Toole has over 20 years as an experienced CEO of manufacturing and service businesses. He founded Yosemite Associates, LLC introducing the **Bank your moment®** and **Yosemite Business Diagnostics™** campaigns to help owners extract the uncertainty associated with building their company worth. Larry serves on corporate Boards and provides advisory services to a diversified group of owners. Larry can be reached at 949.874.0787 or Larry.OTOole@YosemiteAssociates.com.

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